

The role of insurance supervisors in promoting inclusive insurance growth

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Who we are

A unique global partnership...



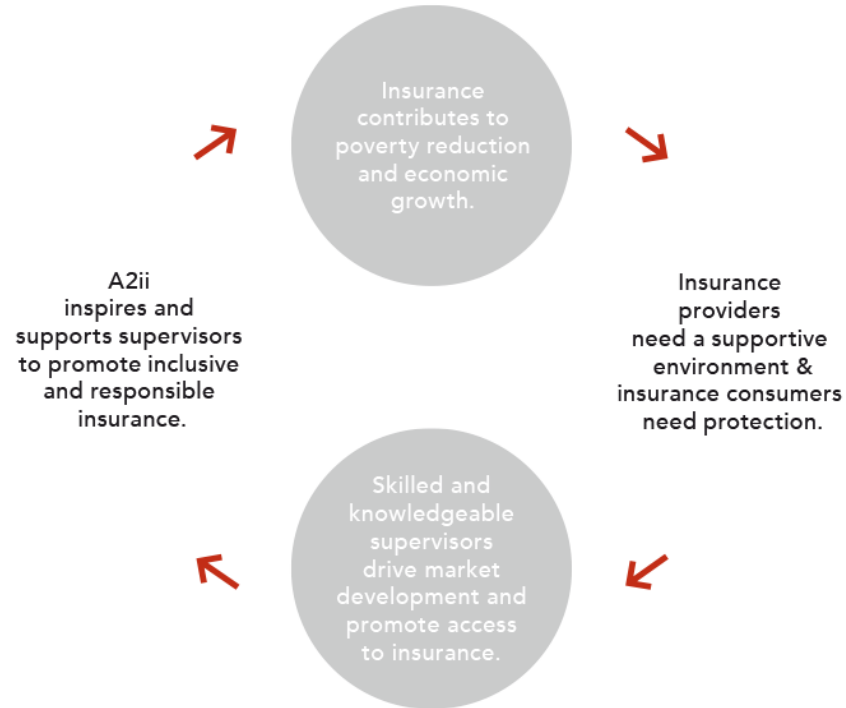
*... working to ensure that the world's excluded and underserved **have access to insurance.***

*We do this by **supporting insurance supervisors and regulators** to create the conditions necessary for an inclusive insurance market to grow.*

How we work



Our theory of change



Definitions

Microinsurance

“Insurance that is accessed by the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices.” (IAIS, 2007)

Inclusive Insurance

“All insurance products aimed at the excluded or underserved market, rather than just those aimed at the poor or a narrow conception of the low-income market.” (IAIS, 2015)

*See IAIS papers (1) Issues in Regulation and Supervision of Microinsurance (2007)
(2) Application Paper on Regulation and Supervision supporting Inclusive Insurance Markets (2012) (3) Issues
Paper on Conduct of Business in Inclusive Insurance (2015)

The inclusive insurance consumer

- Low education levels / insurance awareness
- Low / irregular disposable income, mostly spent on essentials
- Difficult to reach, informal employment
- Don't trust insurance providers and insurance



Source: IAIS (2014)

What makes an insurance product inclusive?

Microinsurance / inclusive insurance is not just a scaled down version of classic insurance. The product and processes need to be completely reengineered to meet the characteristics and preferences of the low-income and underserved market.

What makes an insurance product inclusive?



Microinsurance Centre (2011):
*SUAVE Checklist for Microinsurance Products:
Enhancing the Potential for Success*

Alternative distribution channels

- Direct sales
- Brokers
- Agents
- Mobile network operators (MNOs)
- Retailers
- Mutuels, co-ops, community orgs
- Microfinance institutions (MFIs)
- Funeral parlours
- Post offices
- Community groups
- Agro distributors
- Utility companies
- Etc.

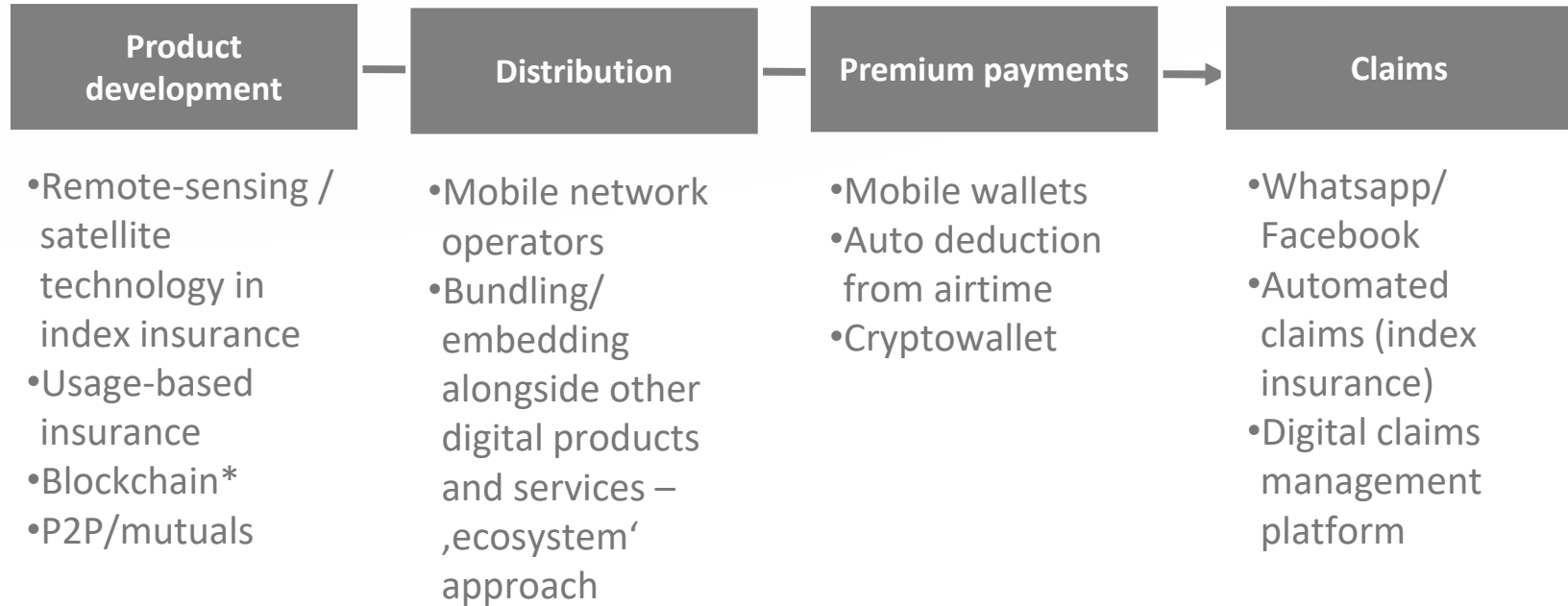
Insurer



Consumer



Digitalisation



Many models are a combination of different technologies, even offline and online. Some models are partly switching back from digital.

What can regulators do to promote
inclusive insurance growth?

Regulation and supervision of inclusive insurance: the need for proportionality

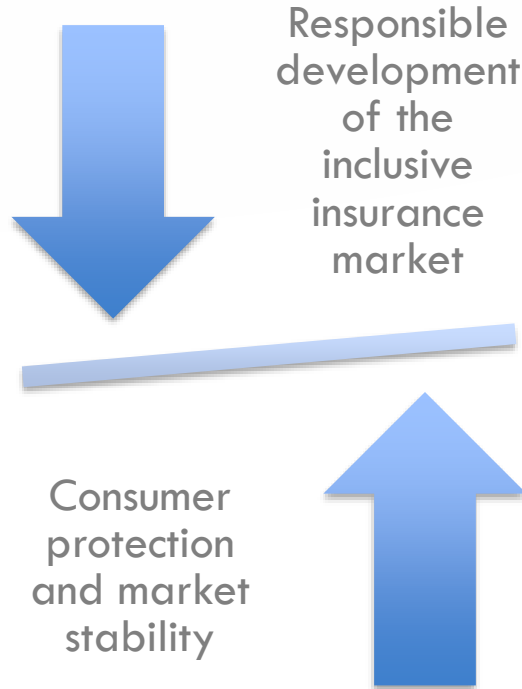


Photo: Andrea Camargo

Inclusive insurance – anchored on proportionality

Proportionality underlies all the ICPs. Supervisors have the flexibility to tailor their implementation of supervisory requirements and their application of insurance supervision to achieve the outcomes stipulated in the Principal Statements and Standards.

Implementation - proportionality allows the ICPs to be translated into a jurisdiction's supervisory framework in a manner appropriate to its legal structure, market conditions and consumers.

Application - proportionality allows the supervisor to increase or decrease the intensity of supervision according to the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole.

Proportionality in practice



Licensing – more types of underwriters permitted with different capital; governance and reporting requirements



Product approval – inclusive product features required



Distribution – alternative channels allowed, simpler training requirements



Disclosure – simplified documents, local language



Claims – shorter timeline

How to implement the proportionality principle?

1. Understand the market and look at the big picture
2. Translate market features into concerns and supervisory risks
3. Address those risks in a proportionate way – this requires balancing those risks against benefits!

1. Understanding the market

How?

- Robust M&E of supervised entities and products
- Frequent consultations with market participants and other supervisors
- Test and learn approaches – Sandboxes

When?

- Constant and frequent understanding!
- This market evolves very rapidly and with it new risks emerge and what was a risk before it might not be a risk today!

2. Translating market features into risks



- Subscription
 - Product development
 - Marketing
 - Sales
 - Insurance decision
 - Administration
 - Collecting premiums
 - Handling claims
 - Handling complaints and disputes
- Prudential risks
 - Risks linked to the aggregator
 - Risks linked to sales
 - Risks linked to a lack of understanding of the policy
 - Risks linked to payment
 - Risks linked to after-sales problems

3. Adopting a proportionate approach

Two interlinked goals:

1. Applicable regulatory and supervisory approaches address ALL SUPERVISORY RISKS that arise within the inclusive insurance market

And at the same time...

2. Applicable regulatory and supervisory approaches do not impose UNNECESSARY AND DISPROPORTIONATE barriers, promoting the development of a RESPONSIBLE inclusive insurance



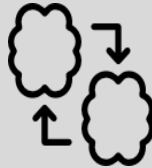
Supervisory considerations in enabling inclusive insurance

Strengthen skills within the supervisory authority

Understand the possibilities that inclusive insurance offers

The development of appropriate policies requires a very good understanding of inclusive insurance initiatives from around the world:

- **Regulations**
- **Products**
- **Distribution**
- **Success**
- **Failures**



Key aspects in strengthening skills

- Support the creation of a roadmap
- Support the development and writing of regulations
- Specific training on the actuarial and legal aspects of Inclusive Insurance to help support proportionality
- Design and implementation of mechanisms for monitoring and reporting
- Continuous dialogue internally and with other regulatory authorities

Designate “champions” of inclusive insurance

Who:



- Ability to take decisions
- Personally interested in inclusive insurance
- Essential to include management or to ensure that they are consulted

Characteristics:



- Early and continual involvement of general management and decision makers emphasises the importance of key decisions
- Need to show and to communicate a clear vision and thinking process for inclusive insurance regulations – **to create a sense of belonging throughout the organisation and sector**
- If possible, keep the same team for all the stages of the process

A2ii consultation call, 21 July 2016

Have clear action plans to implement proportional regulations



- **Consultation, communication and engagement** is needed to ensure that regulatory obstacles are dealt with proportionally
 - Regulation is **not** always the most appropriate tool!

Think about resource needed and implications

1. Dealing with limitations

- Skills and data

2. Ongoing supervision

3. Take action and encourage others

4. Obtain resources

- Cooperate with others
- Consider transitional and ongoing needs
- Strive for fairness and sustainability

Progress on development of inclusive insurance regulation

Inclusive insurance regulation in 2009

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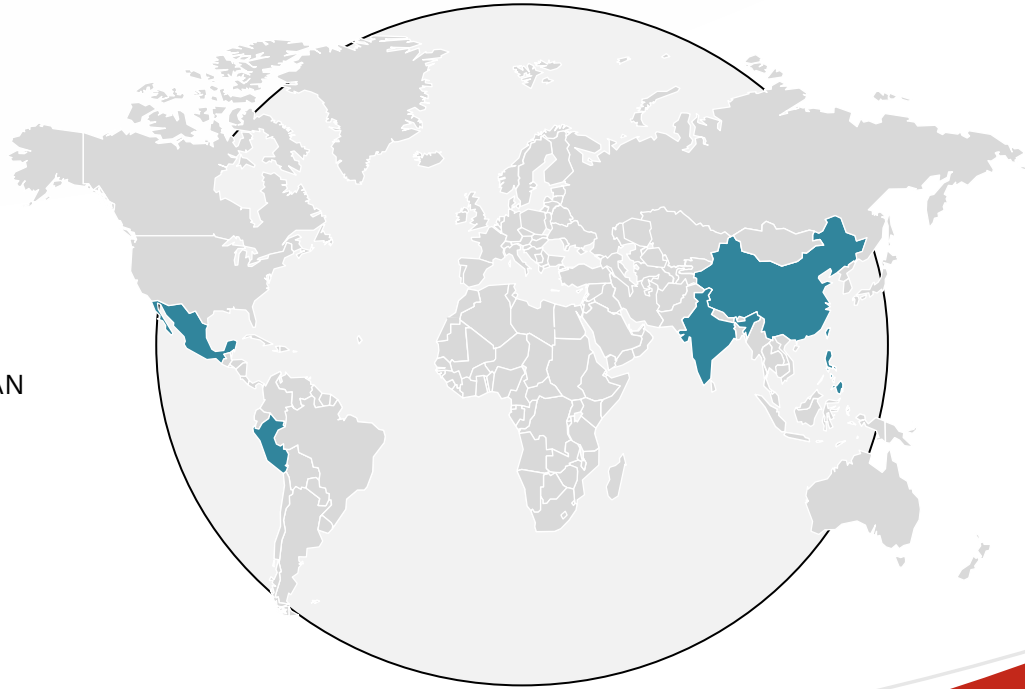
IMPLEMENTED

ASIA-PACIFIC

India
China
Philippines
Chinese Taipei

LATIN AMERICA & CARIBBEAN

Peru
Mexico



Inclusive insurance regulation in 2023

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UNDER DEVELOPMENT

ASIA-PACIFIC

- Bangladesh
- Fiji
- Papua New Guinea
- Sri Lanka
- Vietnam

LATIN AMERICA & CARIBBEAN

- Chile
- Colombia
- El Salvador
- Guatemala
- Honduras
- Jamaica

MIDDLE EAST & NORTH AFRICA

- Jordan
- Morocco
- Palestinian Territories
- Tunisia
- United Arab Emirates

SUB-SAHARAN AFRICA

- Namibia

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IMPLEMENTED

ASIA-PACIFIC

- Cambodia
- China
- Chinese Taipei
- India
- Indonesia
- Malaysia
- Mongolia
- Nepal
- Pakistan
- Philippines
- Thailand

LATIN AMERICA & CARIBBEAN

- Argentina
- Belize
- Bolivia
- Brazil
- Costa Rica
- Mexico
- Nicaragua
- Paraguay
- Peru
- Venezuela

MIDDLE EAST & NORTH AFRICA

- Egypt

SUB-SAHARAN AFRICA

- CIMA*
- Eswatini
- Ethiopia
- Ghana
- Kenya
- Lesotho
- Madagascar
- Malawi
- Mozambique
- Nigeria
- Rwanda
- South Africa
- Tanzania
- Uganda
- Zambia
- Zimbabwe

* CIMA is counted as one jurisdiction (Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Guinea Bissau, Ivory Coast, Mali, Niger, Senegal, and Togo)



Thank you.

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